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RULEMAKING ESTABLISHING	§	PUBLIC UTILITY COMMISSION
ELECTRIC WEATHERIZATION	§	
STANDARDS	§	OF TEXAS

COMMENTS OF AEP TEXAS INC. AND ELECTRIC TRANSMISSION TEXAS LLC

AEP Texas Inc. and Electric Transmission Texas LLC (collectively in this proceeding as “AEP Companies”) provide these comments in response to the Public Utility Commission of Texas (“Commission”) Staff’s proposal for discussion a draft of new 16 Texas Administrative Code (TAC) § 25.55 to implement weather emergency preparedness measures for generation entities and transmission service providers in the Electric Reliability Council of Texas (ERCOT) power region, as required by Senate Bill 3, 87th Legislature (Regular Session). The AEP Companies also provide responses to the two questions posted by the Commission Staff.

I. Executive Summary

As requested by Commission Staff, the AEP Companies provide the following bulleted executive summary of the AEP Companies’ comments on the Discussion Draft to assist the Commission Staff’s review:

- Overall, the AEP Companies are concerned that the Discussion Draft creates a challenging scenario, in which a TSP would be required to meet a standard that is largely unknown to the TSP within a relatively short time frame. The AEP Companies urge the Staff to consider creating a TSP weather reliability standard that is based on existing relevant industry standards, such as NESC, ANSI, IEEE, and ASCE, rather than basing the standard on the outcome of an ERCOT weather study that is yet to be produced.
- 25.55(c)(2) Filing and approval - Although the Discussion Draft requires the first weather study to be filed no later than January 1, 2022, it is silent on the procedural timeline for the necessary commission approval of the initial weather study.
- 25.55(i) Weather reliability standards for a transmission service provider - The Discussion Draft requires a TSP to maintain weather preparation measures that reasonably ensure that its transmission system can provide service at the system’s applicable rated capabilities as defined by ERCOT under the 98th percentile of each of the extreme weather scenarios specified in the commission-approved weather study. For clarity, the AEP Companies suggest that the rule explicitly state that the applicable rated capabilities are the relevant industry standards.
- 25.55(j) Implementation of weather reliability standards for transmission facilities – It appears that TSPs would be required to review and inspect all transmission facilities to determine whether the facilities meet an as yet unknown different standard that would be created by a weather study rather than the industry standards, such as the NESC standards, that were in place at the time. The AEP Companies are not able at this time, to

appropriately project the scope of analysis, cost and time it would take to comply with this provision.

- 25.55(k) Compliance with weather reliability standards by a transmission service provider- The AEP Companies encourage the Staff to be more descriptive in the rule provision or more prescriptive in the market rules it expects would be adopted by ERCOT. In the alternative, the Commission could adopt a form for TSP compliance reporting. Additionally, subsection (k) requires that the annual report include a notarized affidavit by the chief executive officer. AEP Companies recommend that the Staff modify this provision by replacing the term “the chief executive officer” with a broader term such as “officer of the company responsible for the transmission system” in this subsection.
- 25.55(m) Violations of reliability standards for a transmission service provider - The AEP Companies suggest the Staff correct a typographical error in (m)(3), by changing the reference to subsection (d) to subsection (i), to correctly align with the TSP weather reliability standard subsection.

II. Response to Staff’s Questions

1. *What is the availability of statistically reliable weather information from, e.g., the American Society of Heating, Refrigeration and Air Conditioning Engineers; National Weather Service; or other sources for the ERCOT power region? Please share the source of that information.*

AEP Companies’ Response:

The AEP Companies believe there are several sources of statistically reliable weather information. For example, we expect that historical weather data and patterns would be available via the Texas A&M University Department of Meteorology. In addition, the AEP Companies have been approached by companies such as IBM, and universities such as Ohio State University, to develop storm impact algorithms using graphical information systems to forecast transmission and distribution facility impacts related to current weather patterns and short term forecasts. As contemplated by the discussion draft, The Office of the Texas State Climatologist would be a reasonable resource for identifying sources of statistically reliable weather information.

Additionally, the AEP Companies also have internal meteorologists on staff for near term weather forecasting and potential impacts to transmission and distribution systems that are utilized by operations staff. The AEP Companies rely on various National Oceanic and Atmospheric Administration (NOAA) weather stations throughout its service territory for weather studies and weather normalization calculations. These are widely used across multiple industries and provide a robust and historical data series that is necessary for any climate studies. AEP-affiliated utilities

operating outside of Texas also have relied on an extreme climate study performed by Purdue University to develop an extreme weather load forecast scenario that is used in Integrated Resource Plans.

2. *Do existing market-based mechanisms provide sufficient opportunity for cost recovery to meet the weather reliability standards proposed in the discussion draft? If not, what cost recovery mechanisms should be included in the proposed rule?*

AEP Companies' Response:

The AEP Companies believe that the existing cost recovery mechanisms are sufficient to recover the capital expenditures; however, the costs associated with the study evaluation, inspections and other costs that are not eligible for inclusion in an existing mechanism should be included in a regulatory asset. The AEP Companies urge the Staff to include the following provision in the proposed rule:

Costs incurred by a transmission service provider to comply with this rule that are not eligible for recovery through an existing interim cost recovery mechanism shall be recorded as a regulatory asset for timely recovery in wholesale transmission service rates established by the commission.

III. Comments on Discussion Draft

The AEP Companies appreciate the Staff developing a Discussion Draft for comment, particularly given the expedited timeline for adopting rules to implement the weather emergency preparedness provisions of SB 3. The AEP Companies believe that the overarching goal of Section 38.075 is to ensure that a transmission service provider (TSP) implements measures to prepare its facilities to maintain service quality and reliability during a weather emergency, and in accordance with standards adopted by the commission. The AEP Companies believe that the Commission can meet this overall goal for TSPs with an approach utilizing known standards, while creating clear regulatory compliance and reporting requirements.

The AEP Companies are concerned that the Discussion Draft creates a challenging scenario, in which a TSP would be required to meet a standard that is largely unknown to the TSP within a relatively short time frame. The AEP Companies urge the Staff to consider creating a TSP weather reliability standard that is based on existing relevant industry standards, such as NESC, ANSI, IEEE, and ASCE, rather than basing the standard on the outcome of an ERCOT weather study that is yet to be produced. If the Commission's standard were to mirror the well-

known industry standards, TSPs would be in a better position to efficiently and effectively identify facilities that may not meet current design standards. Under the Discussion Draft proposal, a TSP will not know the standard for which it will be held accountable until the ERCOT weather study is complete and approved by the Commission.

Regardless of whether the Commission establishes the TSP weather reliability standard by its approval of an ERCOT weather study or by adopting by reference other industry standards, the Commission's rule should allow TSPs adequate time to identify facilities designed in conformance with good utility practice that may not meet the Commission's weather reliability standard, and to develop plans to bring those facilities into compliance with the Commission standard. The AEP Companies anticipate that detailed needs assessments, that could include inspections, testing and engineering analysis, could take a significant amount of time. The AEP Companies suggest that the rule could require an initial "resiliency" plan to address measures a TSP has taken and plans to take to prepare its facilities to maintain service quality and reliability during a weather emergency, and in accordance with the Commission's weather reliability standard. TSPs could then submit annual reports regarding its efforts to comply with the weather reliability standards. The timelines in the proposed rule for initial and subsequent reporting should be aligned and allow adequate time for TSPs to identify the facilities that would be deemed insufficient to meet the standard and to develop detailed plans with cost estimates to bring the identified facilities up to the standard.

The AEP Companies offer the following specific comments on the language contained in the Discussion Draft:

25.55(c)(2) Filing and approval

Although the Discussion Draft requires the first weather study to be filed no later than January 1, 2022, it is silent on the procedural timeline for the necessary commission approval of the initial weather study. The AEP Companies note that delays in approving the weather study on which the weather reliability standards are based could affect the TSPs' implementation of subsections (i) and (j).

25.55(i) Weather reliability standards for a transmission service provider

The Discussion Draft requires a TSP to maintain weather preparation measures that reasonably ensure that its transmission system can provide service at the system's applicable rated capabilities as defined by ERCOT under the 98th percentile of each of the extreme weather scenarios specified in the commission-approved weather study. The AEP Companies interpret this provision to mean that a TSP is required to deploy measures – weatherization, staffing, operational readiness, structural preparations – to ensure the system overall is reasonably expected to perform at the 98th percentile of each extreme weather scenario. Further, the AEP Companies believe that “applicable rated capabilities” refers to the relevant industry standards, such as those of NESC or ASCE, for the portions of the TSP's system in the weather regions and under the scenarios established by the commission-approved weather study. For clarity, the AEP Companies suggest that the rule explicitly state that the applicable rated capabilities are the relevant industry standards.

25.55(j) Implementation of weather reliability standards for transmission facilities

The first sentence of subsection (j) is unclear to the AEP Companies. The AEP Companies believe the practical effect of the provision would require all of a TSP's facilities, except for transmission facilities outside a substation or switching substation, to comply with subsection (i) no later than November 30, 2023. Although the thousands of miles of transmission lines and other facilities outside of a substation are not subject to compliance by November 30, 2023, a TSP would be required to submit to the Commission and ERCOT a report of *any* of its facilities that were designed in conformance with good utility practice, but are insufficient to meet the weather reliability standard in (i). The report also must include a detailed description of the TSP's plan, with cost estimates, to rebuild the identified facilities to bring them into compliance with the standard.

The Discussion Draft refers to “facilities that were designed in conformance with good utility practice but are insufficient to meet the standard.” The AEP Companies note the Commission's rules contain a definition of “good utility practice” in 16 TAC § 25.5(56). Additionally, 16 TAC § 25.195(b) requires a TSP to “plan construct, operate and maintain its transmission system in accordance with good utility practice...” As a result, it would appear that the practical implication of (j) is that the TSP would be required to review and inspect all of its transmission facilities to determine whether the facilities meet an as yet unknown different

standard that would be created by a weather study rather than the industry standards, such as the NESC standards, that were in place at the time. The AEP Companies are not able at this time, to appropriately project the scope of analysis, cost and time it would take to comply with this provision.

Finally, subsection (j) allows ERCOT to recommend and the Commission to order the rebuilding of facilities to bring them into compliance with the standard. The AEP Companies are concerned that the Discussion Draft does not provide for the procedures that ERCOT or the Commission would follow to determine the recommendation or order, respectively.

25.55(k) Compliance with weather reliability standards by a transmission service provider

The Discussion Draft requires a TSP to file an annual report by November 1 each year that addresses compliance with subsection (i). This provision should be modified to ensure that the annual reporting requirement does not begin until the calendar year after the initial report required in (j). Additionally, the description of the contents of the report is vague, and could be overly expansive by requiring the TSP to provide “all other information prescribed by ERCOT in its market rules.” The AEP Companies encourage the Staff to be more descriptive in the rule provision or more prescriptive in the market rules it expects would be adopted by ERCOT. In the alternative, the Commission could adopt a form for TSP compliance reporting.

Finally, subsection (k) requires that the annual report include a notarized affidavit by the chief executive officer. Because TSPs may have different titles for the leaders responsible for ensuring a TSP’s compliance with the weather reliability standard, the AEP Companies recommend that the Staff modify this provision by replacing the term “the chief executive officer” with a broader term such as “officer of the company responsible for the transmission system” in this subsection.

25.55(m) Violations of reliability standards for a transmission service provider

The AEP Companies suggest the Staff correct a typographical error in (m)(3), by changing the reference to subsection (d) to subsection (i), to correctly align with the TSP weather reliability standard subsection.

IV. CONCLUSION

The AEP Companies appreciate the opportunity to provide these comments and look forward to working with the Commission and other stakeholders to provide additional input in this project.

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Respectfully submitted,

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**ON BEHALF OF AEP TEXAS AND ELECTRIC
TRANSMISSION TEXAS**